HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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Housing Markets

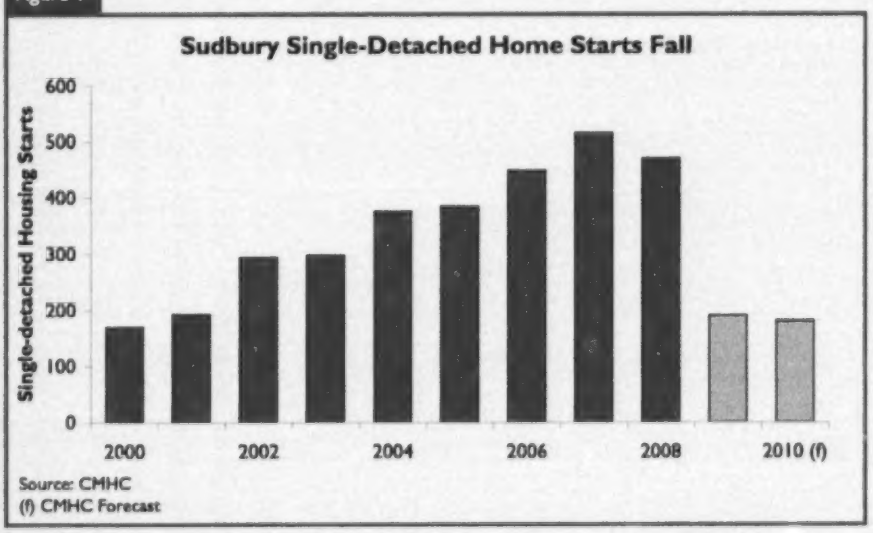
New Home Market

The slackness in the resale market coupled with the slowing economy will directly impact the new home market. Single-detached starts will fall to 190 units in 2009 and 180 in 2010, as the market comes more into line with long-term demographic requirements.

CMHC expects 210 row, condominium and apartment starts in 2009 and another 160 in 2010.

After rising 4.3 per cent and 5.5 per cent respectively in 2007 and 2008, the New Home Price Index for Sudbury-Thunder Bay will rise in 2009 and 2010 but only modestly given the slowdown in demand.

Figure 1



[1] The forecasts included in this document are based on information available as of October 1, 2009.

Table of Contents

1 Housing Markets
3 Economy
4 Forecast Summary

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Condo Market

Developers have plans for condominium development in 2010. Pricing will be very important as this product is primarily targeted at empty nesters who do not typically want to pay more for a condo that what they obtain from the sale of a homeownership unit.

Rental Market

As is well known, the vacancy rate has fallen from a peak of 11.1 per cent in 1999. A tight market partially brought on by a lack of new rental construction and demand pressure has finally resulted in some development of rental housing in Greater Sudbury. Vacancy rates rose slightly in April and will also increase this October before falling again to 1.3 per cent in 2010 as the economy begins improving. Strong enrolment figures at the three Sudbury-based post-secondary institutions will contribute to the tight market conditions. Rents should continue to escalate in 2009 and 2010 given continued strong demand for rental accommodation.

Resale Market

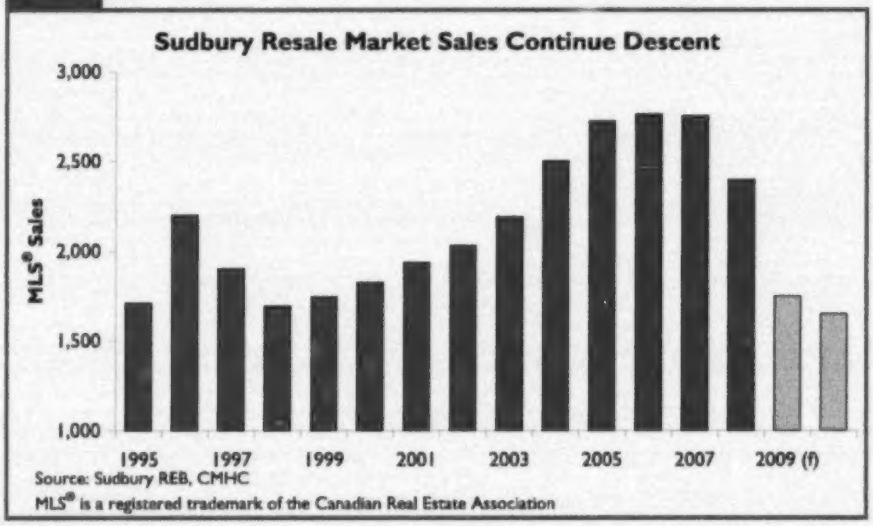
After plateauing in 2006-2007, Sudbury sales fell 13 per cent in 2008 and have fallen a further 26 per cent to the end of September. Sales will certainly continue this downward trend in 2009. Given the buyer's market conditions, CMHC estimates a 27 per cent drop in existing home transactions when the year is complete. Sales will drop a further six per cent in 2010 as the market moves towards a balanced position.

The sale to new listings ratio, an indicator of the existing home market behaviour, is improving. After growing in the third quarter, Sudbury's market will keep an upward trend, increasing its temperature. CMHC expects this ratio to end the year approaching 50 per cent, indicating that prices will adjust all the way into next year.

According to local sources, demand is greatest in the price ranges under 200,000 while the upper end of the market (>$400.000) has not been greatly affected. Prices have been falling since mid-year 2008 after rising to unsustainably high levels over the prior four years. The price decrease will continue into 2010 but will be tempered by falling listings. Watch for average prices to fall 5.5 per cent in 2009 and level off in 2010.

Given the adjustment in home prices, there has been improvement in required income to purchase a home. Unfortunately, with the slowing economy, the adjustment to incomes

Figure 2



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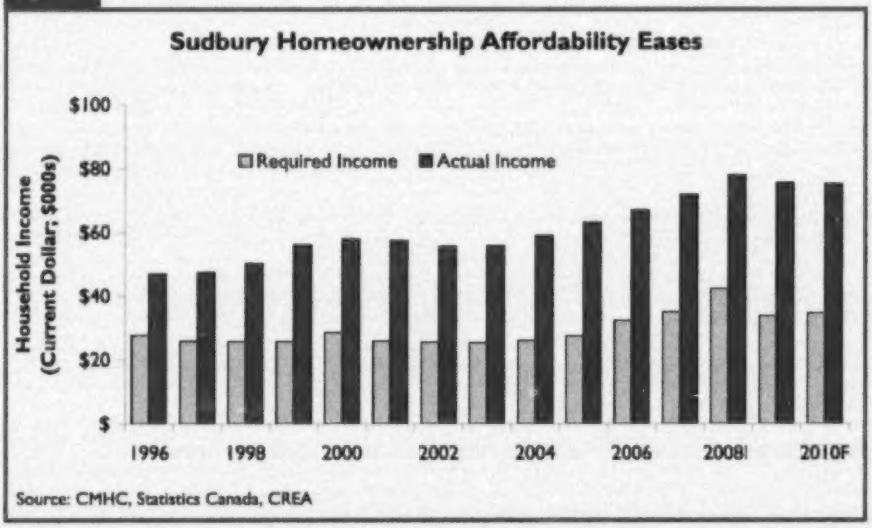

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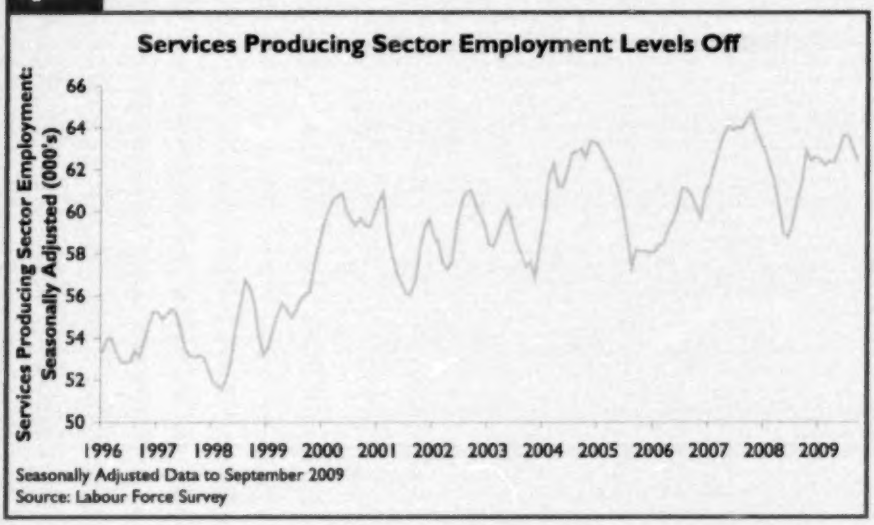

has been stronger. As a result the net impact on affordability will decrease somewhat in 2010 after improving in 2009. Nonetheless, there are buyers in the market searching for lower priced homes.

Economy

Employment

Greater Sudbury has experienced a strike at Vale Inco, one of the biggest mining companies in the community. Consequently employment will decline 1.2 per cent in 2009 and recover only slightly, 0.5 per cent in 2010. The combination of job loss and labour force growth have caused the unemployment rate to head north, and will approach on average nine per cent this year and next.

After an increase of nearly nine per cent in 2008, average weekly earnings will drop this year declining three per cent and fall a more modest 0.5 per cent in 2010. Removing a relatively high proportion of mining and mining-related incomes from the mix would have had a downward impact on average weekly earnings over the course of this year.

In the short term local economic uncertainty will impact housing demand. However, the current commodity price rebound will form a solid long term foundation for growth in the broader Sudbury economy. Despite the current weakness in the Sudbury economy, some economic development plans are still moving ahead.

Migration

Migration has been positive of late, while natural increase is trending down. In-migration will trend downward in 2009 and 2010 prior to recovery in 2011. Mining workers affected by work stoppages may contemplate relocating if the national economy begins to improve, generating opportunities elsewhere.

Mortgage Rate Outlook

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank has committed to keeping this rate at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

Mortgage rates have fallen over the course of 2009, but are now expected to remain relatively stable for the rest of the year. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 3.50-4.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.50-6.00 per cent range.

Figure 5

Forecast Summary Greater Sudbury CMA Fall 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,762	2,754	2,396	1,750	-27.0	1,650	-5.7
MLS® New Listings	3,989	3,834	4,829	4,588	-5.0	4,679	2.0
MLS® Average Price ($)	150,434	182,536	211,614	200,000	-5.5	200,000	0.0
New Home Market							
Starts:							
Single-Detached	448	514	469	190	-59.5	180	-5.3
Multiples	29	73	74	120	62.2	120	0.0
Semi-Detached	18	28	32	20	-37.5	20	0.0
Row/Townhouse	11	37	19	0	n/a	0	n/a
Apartments	0	8	23	100	n/a	100	250.0
Starts - Total	477	587	543	400	-26.3	340	-15.0
Average Price ($):							
Single-Detached	266,695	307,314	336,847	360,426	7.0	367,634	2.0
Median Price ($):							
Single-Detached	269,000	289,000	322,450	341,797	6.0	345,215	1.0
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	1.7	4.3	5.5	1.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	1.2	0.6	0.7	1.5	0.8	1.3	-0.2
Two-bedroom Average Rent (October) ($)	706	749	800	840	-	880	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.67	3.83	-0.20
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.51	5.75	0.20
Annual Employment Level	77,800	80,800	81,300	80,300	-1.2	80,700	0.5
Employment Growth (%)	1.5	3.9	0.5		-1.2		0.5
Unemployment rate (%)	7.3	5.8	5.6	8.2	-	8.3	-
Net Migration [1]	836	412	450	350	-22.2	100 **	

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 and 2008 migration numbers are forecasts

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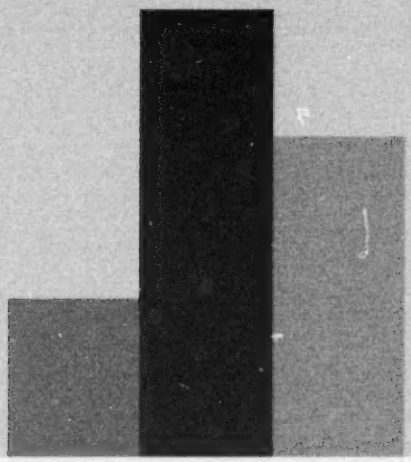

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